

PUERTO RICO TELEPHONE COMPANY
COST APPORTIONMENT TABLES

PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
4130	Other Current Liabilities	Same as Account	N/A	Directly assigned to regulated in accordance with ARMIS requirements	Account 4130 is not part of the ratemaking process
4300	Other long-term liabilities and deferred credits	1 Other Long-Term liabilities (a) Regulated (b) Nonregulated (b) Common 2 Other Deferred Credits (a) Regulated (b) Nonregulated (c) Common	Direct identification through PRTC subaccount detail	1 (a) Directly assigned to regulated (b) Directly assigned to nonregulated (c) Indirect attribution based on the apportionment of total employees salaries and wages 2 (a) Directly assigned to regulated (b) Directly assigned to nonregulated (c) General Allocator	
4340	Net noncurrent deferred operating income taxes	1 Property 2 Non-property	Direct identification through PRTC subaccount detail	1 Indirect attribution based on the regulated/nonregulated apportionment of total plant in service 2 General Allocator	
4370	Other jurisdictional liabilities and deferred credits-net	Not applicable (zero balance)			

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5001, 5040, 5060, 5081, 5082, 5083, 5105, 5200, 5230	Revenue Account	Same as Account	N/A	Directly assigned to regulated	
5280	Nonregulated operating revenues	Same as Account	N/A	Directly assigned to nonregulated	
5300	Uncollectible revenues	1 Regulated 2 Nonregulated 3 Common	Direct identification through PRTC subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution based on total revenues, excluding those for which uncollectibles have been directly assigned	Wireless and carrier revenues are excluded

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6112	Motor vehicle expense	1 Regulated 2 Nonregulated 3 Common	Direct identification through company subsidiary records	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution based on the relative regulated / nonregulated apportionment of common cost pools in account 2112	
6113	Aircraft Expense	Not Applicable (zero balance)			
6114	Tools and Other Work Equipment Expense	Same as Account	N/A	Indirect attribution based on relative regulated/nonregulated investment in account 2114	

PUERTO RICO T. PHONE COMPANY
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PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6121	Land and Building Expense	1 Regulated 2 Nonregulated 3 Common a) Operating Rents b) Other Common Expense	1-2 Directly identified from PRTC's subaccounts detail 3 Based on results of PRTC's House Service Distribution Analysis (see account 2121 comment) applied to PRTC's subaccounts detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 a) Direct attribution based on relative regulated / nonregulated apportionment of the rented asset's use b) Indirect attribution based on relative regulated / nonregulated apportionment of the sum of the common cost pools of accounts 2111 and 2121	N/A
6122	Furniture and Artwork Expense	Same as Account	N/A	Indirect attribution based on relative regulated / nonregulated investment in Account 2122	
6123	Office Equipment Expense	1 Regulated 2 Nonregulated 3 Common	Direct identification through PRTC subaccount detail	1.. Directly assigned to regulated 2. Directly assigned to nonregulated. 3 Indirect attribution based on relative regulated / nonregulated investment in account 2123	Cost pool 2 is not currently in use

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6124	General purpose computers expense	1 Nonregulated 2 Common	Direct identification through company subsidiary records	1 Directly assigned to nonregulated 2 Indirect attribution based on relative regulated / nonregulated investment in account 2124	Cost pool 1 is not currently in use
6211	Nondigital switching	Same as account	N/A	Directly assigned to regulated	This account is not currently in use
6212	Digital electronic expense	1 Circuit (a) Regulated (b) Nonregulated 2 Packet (a) Regulated (b) Nonregulated	Direct identification of expenses through company records	1 (a) Directly assigned to regulated (b) Directly assigned to nonregulated 2 (a) Directly assigned to regulated (b) Directly assigned to nonregulated	

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6220	Operator Systems Expense	Same as Account	N/A	Directly assigned to regulated	
6231	Radio Systems Expense	1 Regulated 2 Nonregulated	Direct identification through PRTC's subaccounts	1 Directly assigned to regulated 2 Directly assigned to nonregulated	
6232	Circuit Equipment Expense	1 Electronic (a) Regulated (b) Nonregulated 2 Optical (a) Regulated (b) Nonregulated	Direct identification through PRTC's subaccounts	1 (a) Directly assigned to regulated (b) Directly assigned to nonregulated 2 (a) Directly assigned to regulated (b) Directly assigned to nonregulated	
6311	Station Apparatus Expense	1 Regulated 2 Nonregulated CPE 3 Common-No Access / No Trouble Found	1-3 Direct identification through PRTC's subaccounts	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution Regulated equals 75% of the ratio of regulated trouble counts cleared to total trouble counts cleared Residual amount equals nonregulated	N/A

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PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6341	Large Private Branch Exchange Expense	1 Regulated 2 Nonregulated - CPE 3 Common - No Access / No Trouble Found	1-3 Direct identification through PRTC's subaccounts	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution - regulated equals 75% of the ratio of regulated trouble counts cleared to total trouble counts cleared Residual amount equals nonregulated	N/A
6351	Public Telephone Terminal Equipment Expense	Same as Account	N/A	Directly assigned to nonregulated	
6362	Other Terminal Equipment Expense	1 Regulated 2 Nonregulated 3 Common - No Access / No Trouble Found	1-3 Direct identification through PRTC's subaccounts detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution - regulated equals 75% of the ratio of regulated trouble counts cleared to total trouble counts cleared Residual amount equals nonregulated	
6411	Poles Expense	Same as Account	N/A	Directly assigned to regulated	

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PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6421	Aerial cable expense	Same as account	N/A	Directly assigned to regulated	
6422	Underground cable expense	Same as account	N/A	Directly assigned to regulated	
6423	Buried cable expense	Same as account	N/A	Directly assigned to regulated	
6424	Submarine and deep sea cable expense	Same as account	N/A	Directly assigned to regulated	

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PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6426	Intrabuilding network cable expense	Same as account	N/A	Directly assigned to regulated	
6431	Aerial wire expense	Same as account	N/A	Directly assigned to regulated	
6441	Conduit systems expense	Same as account	N/A	Directly assigned to regulated	

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PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6511	Property held for future telecommunications	Not applicable (zero balance)			
6512	Provisioning expense	1 Regulated 2 Nonregulated 3 Common	Direct identification through company subsidiary records	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 General Allocator	Construction related costs are cleared from this account before apportionment to nonregulated activities
6531	Power expense	Same as Account	N/A	Indirect attribution based on the relative regulated / nonregulated investment in accounts 2211, 2212, 2215, 2220, 2231, and 2232	
6532	Network administration expense	1 Regulated 2 Nonregulated 3 Common	Direct identification through PRTC subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution based on the relative regulated/nonregulated investment in accounts 2211-2232 and 2411-2441	

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PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6533	Testing expense	Same as Account	N/A	Directly assigned to regulated	All testing functions are associated with regulated network services
6534	Plant operations administration expense	1 Regulated 2 Nonregulated 3 Common	Direct identification through PRTC subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution based on the relative regulated / nonregulated results of direct labor distribution (positive time reporting) of Plant Operations' salaries and wages (excluding capitalized expenses and salaries of employees assigned to operations for which account 6534 expenses are directly assigned)	Construction related costs are cleared from this account before apportionment to nonregulated activities
6535	Engineering expense	1 Regulated 2 Building engineering 3 Plant engineering 4 General supervision & support 5 Nonregulated	Direct identification through PRTC account 6535 detail	1 Directly assigned to regulated 2 Indirect attribution based on relative regulated / nonregulated investment in account 2121 3 Indirect attribution based on the relative regulated / nonregulated results of direct labor distribution (positive time reporting) of Engineering salaries and wages (excluding capitalized expenses and salaries of employees assigned to operations for which account 6535 expenses are directly assigned) 4 Indirect attribution based on the combined distribution of cost pools 1, 2, and 3 above 5 Directly assigned to nonregulated	Cost pool 1 is not currently in use Construction related costs are cleared from this account before apportionment to nonregulated activities. Direct labor associated with common activities is excluded from this analysis
6540	Access expense	1 Regulated 2 Nonregulated	Direct identification through PRTC subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated	

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PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6561	Depreciation expense - telecommunications plant in service	1 Regulated 2 Nonregulated 3 Common	Direct identification through PRTC's subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution based on the relative regulated / nonregulated investment in associated plant accounts	
6562	Depreciation expense - property held for future telecommunications use	Not applicable (zero balance)			
6563	Amortization expense - tangibles	1 Regulated 2 Nonregulated 3 Common	Direct identification through PRTC's subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution based on the relative regulated / nonregulated investment in accounts 2681 and 2682	Cost pool 1 is not currently in use
6564	Amortization expense - intangibles	1 Nonregulated 2 Common	Direct identification through PRTC subaccounts	1 Directly assigned to nonregulated 2 Indirect attribution based on the regulated/nonregulated apportionment of account 2690-common cost pool	

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PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6565	Amortization expense - Other	1 Regulated 2 Nonregulated 3 Common	Direct identification through PRTC's subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated. 3 Indirect attribution based on relative regulated/nonregulated investment in accounts 2122 and 2123	
6611	Product management and sales	1 Regulated 2 Nonregulated 3 Common a. Wireline b Overall 4 Product/Services Sales 5 Product/Services Sales Customer Support	Direct identification through PRTC account subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 a Marketing General Allocator, excluding wireless operations expenses. b Marketing General Allocator 4 Indirect attribution based on Marketing Study #1 5 Indirect attribution based on Marketing Study # 2	See Section VII for description of marketing studies Necessary to prevent double charging to nonregulated

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PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6613	Product advertising	1 Sales Promotion Administration 2 Regulated Product/Service Advertising 3 Nonregulated Product/Service Advertising 4 Common Advertising a Wireline b Overall	1 Direct identification through PRTC account 6613 detail by cost center 2 Based on an analysis of the subject matter and associated costs of advertising campaigns	1 Indirect attribution based on apportionment of account 6612 2 Directly assigned to regulated 3 Directly assigned to nonregulated 4 a. Marketing General Allocator, excluding wireless operations expenses b. Marketing General Allocator	1 Sales promotion administration directly supports sales effort through the development and production of sales promotional material and coordinating customer training 2 Cost pool 2 is not currently in use
6621	Call Completion Services	Same as Account	N/A	Directly assigned to regulated	
6622	Number Services	Same as account	N/A	Directly assigned to regulated	

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PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6623	Customer Services	<p>1 Residence Revenue Related</p> <p>2 Residence Service Representatives</p> <p>3 Residence Service Orders</p> <p>4 Residence Supervisors</p> <p>5 Residence Gen Adm Support</p> <p>6 New Services Connections (Altas)</p> <p>7 Directory</p>	1-35 Direct identification through PRTC subaccounts and/or departmental detail	<p>1 Indirect attribution based on relative regulated / nonregulated apportionment of customer revenues excluding government and coin</p> <p>2 Indirect attribution based on results of client service office's time reporting survey</p> <p>3 Indirect attribution based on relative regulated / nonregulated apportionment of residential completed service orders-Metro & Island</p> <p>4 Indirect attribution based on relative regulated/nonregulated apportionment of cost pools 1-3</p> <p>5 Indirect attribution based on relative regulated / nonregulated apportionment of cost pool 4</p> <p>6 Directly assigned to regulated</p> <p>7 Directly assigned to regulated</p>	<p>Cost pools 2,3,4,5,6,8,10,11, 12,13, 14,16,17, 29 and 35 contain marketing costs</p> <p>1 Customer revenues are directly identifiable as regulated or nonregulated by PRTC revenue accounts Government commercial office and coin activities are handled in the government and public phones divisions, respectively</p> <p>2 See Section VII for description of client service offices' time reporting survey</p>

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PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6623	Customer Services (continued)	<p>8 Prepaid phone cards</p> <p>9 Final accounts</p> <p>10 Credifón</p> <p>11 Business Service Representatives</p> <p>12 Business Service Orders</p> <p>13 Business Supervisors</p> <p>14 Business Gen Adm Supp</p>		<p>8 Directly assigned to regulated</p> <p>9 Indirect attribution based on regulated/nonregulated apportionment of customer revenues excluding government</p> <p>10 Directly assigned to regulated</p> <p>11 Indirect attribution based on results of client services offices' time reporting survey</p> <p>12 Indirect attribution based on relative regulated/nonregulated apportionment of business completed service orders-Metro & Island</p> <p>13 Indirect attribution based on relative regulated/nonregulated apportionment of cost pools 11-12</p> <p>14 Indirect attribution based on relative regulated / nonregulated apportionment of cost pool 13</p>	

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PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6623	Customer Services (continued)	15 Directors-Cust Serv and, Ans & Treatment		15 Indirect attribution based on relative regulated / nonregulated apportionment of cost pools 1-14	
		16 Cust Serv -Marketing Serv Representatives		16 Indirect attribution based on results of client service offices' time reporting survey	
		17 Cust Serv -Marketing-Serv Orders		17 Indirect attribution based on relative regulated/nonregulated apportionment of government completed service orders	
		18 Re-engineering		18 Indirect attribution based on relative regulated / nonregulated apportionment of customer revenues excluding government	
		19 Calls Investigation		19 Directly assigned to regulated	
		20 Remittances		20 Indirect attribution based on relative regulated / nonregulated apportionment of customer revenues excluding government	
		21 Centralized Research Center (CRC)		21 Indirect attribution based on results of client service offices' time reporting survey	
		22 Director Residential Serv -Supp		22 Indirect attribution based on relative regulated/ nonregulated apportionment of cost pools 18-21	

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PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6623	Customer Services (continued)	23 Gr Dr Residential Services Supp		23 Indirect attribution based on relative regulated / nonregulated apportionment of cost pool 22	
		24 Mechanized Systems & Methods and Procedures		24 Indirect attribution based on relative regulated / nonregulated apportionment of cost pools 1-17 and 23	
		25 Results and Measurements Division		25 Indirect attribution based on relative regulated / nonregulated apportionment of cost pool 24	
		26 Results and Meas Div & CRC-Gen Adm Supp		26 Indirect attribution based on relative regulated / nonregulated apportionment of cost pool 25	
		27 Public Telephones		27 Directly assigned to nonregulated	
		28 Government Accounts		28 Indirect attribution based on relative regulated / nonregulated apportionment of government customer revenues	28 Services government customer operations
		29 Technical Training Center		29 Indirect attribution based on relative regulated/ nonregulated apportionment of cost pools 1-28	
		30 Billing Control and Billing Project		30 Indirect attribution based on relative regulated / nonregulated apportionment of total company revenues	
		31 Access Charges		31 Directly assigned to regulated	

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6623	Customer Services (continued)	32 Intralata L/D Calls		32 Directly assigned to regulated	
		33 Director Revenue Accounting		33 Indirect attribution based on relative regulated/nonregulated apportionment of cost pools 30-32	
		34 Consumer Affairs		34 Indirect attribution based on relative regulated/nonregulated apportionment of cost pools 1-33	
		35 Carrier Services		35 Directly assigned to regulated	
		36 Nonregulated		36 Directly assigned to nonregulated	

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PART 32 ACCOUNT NO	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
6720	General and Administrative Expense	1 Regulated 2 Nonregulated 3 Common 4 General Executive 5 Network Related Executive 6 Procurement 7 Cost Accounting 8 Benefit Payments 9 Insurance 10 Public Relations	Based on PRTC account detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 & 4 General allocator 5 & 9 Indirect attribution based on the regulated/nonregulated apportionment of TP/S 6 Indirect attribution based on regulated/nonregulated apportionment of Account 1220 7 Indirect attribution based on regulated/nonregulated apportionment of Accounts 2001 and 2003 8 Indirect attribution based on regulated/nonregulated apportionment of total company salaries and wages 10 Indirect attribution based on regulated/nonregulated apportionment of Marketing General Allocator	
6790	Provision for Uncollectible Notes Receivable	Not applicable (zero balance)			

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7100	Other operating income and expense	1 Gains and Losses from Disposition of Land and Artwork	Based on PRTC account/subaccount detail	1 Indirect attribution based on regulated / non regulated apportionment of Account 2111	
		2 Other Operation Gains and Losses		2	
		(a) Regulated (b) Nonregulated (c) Common		(a) Directly assigned to regulated (b) Directly assigned to nonregulated (c) General Allocator	

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7210	Operating Investment Tax Credits - Net	Not applicable (zero balance)			
7220	Operating Federal Income Taxes	Not applicable (zero balance)			
7230	Operating State and Local Income Taxes	Same as account	N/A	Indirect attribution based on the apportionment of regulated/nonregulated prior quarter net operating income	
7240	Operating Other Taxes	1 Property 2 Gross Receipts 3 Nonregulated 4 Other	Direct identification through PRTC subaccounts	1 Indirect attribution based on the apportionment of investment in total property plant and equipment (accounts 2001 and 2003) 2 Indirect attribution based on the relative regulated / nonregulated apportionment of gross operating revenue 3 Directly assigned to nonregulated 4 General allocator	
7250	Provision for Deferred Operating Income Taxes-Net	1 Property 2 Non-Property	Direct identification through PRTC subaccounts	1 Indirect attribution based on the regulated/nonregulated apportionment of total plant in service 2 General Allocator	Cost pools 1 and 2 are not currently in use

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PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
7300	Non operating income and expenses	1 Allowance for funds used during construction 2 Other	Based on PRTC account/subaccount detail	1 Indirect attribution based on the relative regulated/nonregulated apportionment of account 2003 2 Directly assigned to regulated in accordance with ARMIS requirements	2 Account not part of the ratemaking process

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PART 32 ACCOUNT NO.	ACCOUNT DESCRIPTION	COST POOLS	COST POOL APPORTIONMENT	REGULATED/NONREGULATED APPORTIONMENT BASIS	COMMENTS
7500	Interest and related items	1 Regulated 2 Nonregulated 3 Capital lease related 4 Common	Direct identification through PRTC accounts / subaccount detail	1 Directly assigned to regulated 2 Directly assigned to nonregulated 3 Indirect attribution based on apportionment of investment in account 2681 4 Indirect attribution based on regulated/nonregulated apportionment of TPIS	

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7600	Extraordinary Items	Same as Account	Directly identified through PRTC accounts/subaccount detail	Directly assigned to regulated in accordance with ARMIS requirements	Account is not part of the ratemaking process
7910	Income effect of jurisdictional ratemaking differences-net	Not applicable (zero balance)			
7990	Nonregulated Net Income	Not applicable (zero balance)			

PUERTO RICO TELEPHONE COMPANY, INC.
PART 64
COST ALLOCATION MANUAL

Section VII - TIME REPORTING PROCEDURES

Salaries and Wages

The salaries and wages of telephone company personnel represent a significant percentage of the costs to be allocated between regulated and nonregulated activities in the CC Docket No. 86-111 cost manuals. The selection of the most appropriate method or methods for assigning or apportioning these costs is important.

The method for allocating personnel costs between regulated and nonregulated activities is based upon the amount of time spent by personnel on various tasks (all of which can be classified as regulated, nonregulated, or common). Three basic classes of time reporting have evolved: positive time reporting, exception time reporting and survey. PRTC utilizes all three methods described below.

Positive Time Reporting

In positive time reporting, the employee identifies the amount of time spent by activity each day. Time is typically recorded in increments of one-quarter hour or less with the intent that 100 percent of the employee's productive work day is accounted for. From a CC Docket No. 86-111 cost apportionment perspective, positive time reporting is appropriate for employees whose workday normally includes both regulated and nonregulated activities.

PRTC's positive time reporting procedures are periodically reviewed and refined as PRTC's information needs evolve. The current procedures are described below.

In accordance with Departmental Procedure No. P-FI-008: (Departmental Coding System, Employees' Salary Account Number and Plant Labor Groups), revised June 30, 1995 positive time reporting is done by eight Direct Labor Groups of the Plant Department. The Direct Labor Groups are:

- Central Office - Employees primarily engaged in construction, removal, maintenance, rearrangements, changes and other tasks relating to Central Office local and toll switching and associated equipment.

- Installers and Repairers - Employees primarily engaged in installing, removing, rearranging, or maintaining customer equipment, PBX switching equipment, auxiliary station equipment, inside wiring, cabling, or outside wire, as well as incidental outside plant maintenance work. (Personnel of the Telephone Shop are not included in this Direct Labor Group; Test Board clerical forces are included.)
- Assignment and Repairs Clerks - Employees primarily engaged in assigning telephone numbers, line equipment, cable and open wire facilities as required by service orders; cable and terminal box transfers; cutovers and other plant rearrangements; service order processing and dispatching; and receiving and maintaining trouble reports.
- Line-Cable Maintenance Workers - Employees primarily engaged in placing, removing or rearranging (but not splicing or terminating) outside plant facilities.
- Splicers - Employees primarily engaged in splicing aerial, underground, buried or submarine cable due to construction, removal, maintenance or rearrangements. They are also involved in the investigation of electrolysis troubles.
- Plant Technicians - Employees primarily engaged in the technical functions relating to installation and repair of data transmission equipment, radios and electronic circuits.
- Inspectors - Employees primarily engaged in the inspection of installation work completed by outside contractors and of repair work completed by company employees.
- Land & Building Workers - Employees primarily engaged in repairing, painting or maintaining buildings.

Each Direct Labor Group employee is required to fill in a Daily Time Report, which is submitted to his or her supervisor. Time is reported in increments of one-quarter hour, and the employee is responsible for reporting 40 hours per week and any overtime. The employee reports his time to field codes, which are classified as either regulated or nonregulated and are associated with appropriate accounts.

Employees are responsible for recording travel time to the appropriate field code or field codes. Also, the hours spent on job-related education are charged to the field code(s) to which the employee routinely charges his or her time.

These procedures apply to craft level employees. The salaries and wages for supervision of these employees and their support personnel are identified within PRTC's account and departmental coding systems by specific employee identification codes, by Direct Labor Group and distributed to field codes in proportion to the direct labor productive hours reported by the associated Direct Labor Group.

Nonproductive time, such as vacations and paid sick leave, is captured as part of the Daily Time Reporting process by reporting such time to specific reporting codes. These nonproductive hours are then apportioned based on the direct labor hours distribution described above. Nonproductive hours encompass:

- Occupational accidents
- Jury leave
- Non-occupational sick leave
- Holidays
- Military leave
- Maternity leave
- Funeral leave
- Vacation
- Election leave

Departmental Procedure No. P-FI-008 also describes the various supervisory and internal auditing systems that are set in motion once a Direct Labor Group employee turns in his Daily Time Report form at the end of each day. First, the supervisor reviews the form to ensure that time has been charged to the appropriate field codes and that the reported workable hours correspond to the total workable hours for that employee. If the employee has worked on a special project not covered by his routine field codes, it is the supervisor's responsibility to verify that the proper code has been used. Also, if the employee has participated in training sessions lasting more than one day, the supervisor will distribute the hours to the appropriate codes.

Exception Time Reporting

Exception time reporting is the process by which an employee's time is assigned to an account or cost pool other than the account or cost pool the employee's time is normally assigned or allocated to. All employees that do not use positive or survey time reporting are subject to exception time reporting as needed to accurately reflect time allocation. Exception time reporting is utilized in situations that are unique in nature and requires employees to work in a situation where an allocation of time is needed to accurately reflect the costs associated with the individual(s) working on projects or activities outside their normal activities. PRTC departmental practice P-FI-009 establishes procedures to direct the transfer of expenses associated with exception time activity between departments.

The expenses associated with the routinely assigned functions are driven to the appropriate account by the use of accounting codes. These codes are pre-established on each employee's mechanized payroll record and are associated with regulated, nonregulated or common activities.

The distribution of expenses among accounting codes is established for each employee through an employee-by-employee analysis of job functions when the department is established or restructured. When a department is created or redesigned, the information is presented to the Regulatory Accounting Department, which establishes the appropriate accounts. The responsibility of reporting any organizational change is the responsibility of the department head. This requirement presented in PRTC departmental practice P-FI-008.

For all nonregulated affiliates, special studies are developed to correctly allocate time and the appropriate expenses to the nonregulated operation. These studies are developed on an annual basis, and costs are allocated to the nonregulated entity and removed from the regulated accounts.

Survey

Survey time reporting uses periodic sampling to determine the relative amount of time spent on specific activities or classes of activities. This method is appropriate for employees whose workday comprises numerous and varied tasks of short duration.

These surveys used by PRTC are designed and administered by the Regulatory Accounting Department with the assistance of administrative and support groups within the departments being analyzed. Staff members of the department being surveyed participate in the design of the survey to ensure that the methodology is feasible and meets the survey objectives.

The description of the surveys undertaken in the Marketing and Sales Department and the Commercial Department (see below) provides further information on PRTC's use of this time reporting method. Other special studies are described in the cost apportionment table in Section VI.

Marketing Time Studies

As the Commission emphasizes in its Report and Order in CC Docket No. 86-111 (paragraph 196), the apportionment of marketing-related costs between regulated and nonregulated operations requires special attention. This is because marketing personnel typically devote a higher percentage of their time to nonregulated products and services than do other telephone company personnel. Moreover, in the case of PRTC, which has no separate subsidiaries for marketing nonregulated services and products, common resources are used in the marketing of both regulated and nonregulated services and proper apportionment requires that periodic studies be incorporated in the Company's financial system. PRTC addresses the unique characteristics of marketing and sales costs through its accounting procedures, its design of Cost Allocation Manual cost pools, and its implementation of time reporting surveys.

Accounting and Cost Pool Design for Marketing

The Report and Order in CC Docket No. 86-111 defines common marketing expenses as those recorded in Account 6611, Product Management Expense; and Account 6613, Product Advertising

Expense. For some companies, Account 6623, Customer Services, and Account 6722, External Relations Expense, also contain certain costs that may be classified as marketing related, and the Commission has requested identification of these amounts through a subsidiary records system. The apportionment of costs in Account 6623 is described at the end of Section VII, and the apportionment of marketing related costs associated with Accounts 6613 and 6722 is described in Section VI, the Cost Apportionment Tables. The apportionment of Account 6611 follows:

PRTC's account detail allows segregation of Account 6611 by directly assigning those costs that are 100% regulated or 100% nonregulated. Common costs on the other hand, are distributed based on a Marketing General Allocator. In addition, the following two groups in Account 6611 are studied separately, using individual time reporting study methods:

1. Product/Services Sales - includes the PRTC Account Executives (AE) whose job is to visit customers and sell both regulated and nonregulated services.
2. Product/Services Sales Customer Support - includes the PRTC Customer Services Consultants (CSC) **and Assistants Business Sales Support (ABSS)** who respond to customer phone inquiries and requests, and support the AE sales effort.

Marketing Time Study #1

All Product/Services Sales Account Executives (AEs) at PRTC, regardless of industry specialty, perform essentially the same sales function. Each AE sells the same product lines, everything from regulated private lines to PBXs. AEs also spend considerable time on post-sales support, frequently becoming involved in such matters as coordinating maintenance activities and assisting with billing disputes. Furthermore, there is very little seasonal variation in individual AE work function. Each **year**, new ratios of regulated/nonregulated AE work time will be developed for application against total AE costs. Ratios will be the result of statistically sampling individual AEs, requiring them to directly report their total work time over a successive five-day period. Time will be reported in 15-minute increments.

As part of the study, each participating AE completes daily time reporting forms that identifies the following four work function categories:

1. Nonregulated products or services sales activity
2. Regulated products or services sales activity
3. Administrative functions
4. Common time

Categories 1 and 2 are directly assignable. Categories 3 and 4 are distributed in proportion to categories 1 and 2.

The AE's managers are responsible for validating the accuracy and completeness of each report. At the end of the study, the five-day summaries are totaled and a ratio of total regulated and nonregulated time is determined. This ratio is then supplied to accounting for use in distributing total Account 6611 Product/Services Sales AE's costs.

Marketing Time Study #2

The Customer Services Consultants (CSC) **and Assistants Business Sales Support (ABSS)** functions in PRTC includes responding to business customers' phone inquiries regarding the various products and services offered by PRTC. They also respond to AE's requests for support. Time reporting for this operating groups is determined through a statistical method that measures, on an **annual** basis, the ratio of regulated and nonregulated CSC's **and ABSS's** work time. Individual CSC's **and ABSS's** are selected and required to maintain detailed daily time reports of their work functions for five successive days.

The CSC's **and ABSS's** will report their entire day's work in five-minute increments to the following four work function categories:

1. Nonregulated Products or Services
2. Regulated Products or Services
3. Administrative functions
4. Common time

Categories 1 and 2 are directly assignable. Categories 3 and 4 are distributed in proportion to categories 1 and 2.

All work time during the entire study period is to be recorded. **CSC's and ABSS's managers** are responsible for monitoring and approving the accuracy of daily time reports. **At the end of the study, the five-day summaries are totaled and a ratio of total regulated and nonregulated time is determined. This ratio is then supplied to accounting for use in distributing total Account 6611 Product/Services Sales CSC's and ABSS's costs.**

Business Office Time Reporting Survey

Business Office Service Representatives perform numerous customer services including:

- Customer Inquiries
- Service Order Activities
- Sales Activities
- Credit and Collection Activities

These activities cover both regulated and nonregulated operations. In order to distribute Business Office Service Representative time, PRTC performs a time reporting survey. This survey statistically samples all PRTC business offices on a six-month basis to develop overall ratios of Business Office Service Representative time split between regulated and nonregulated operations.

The sample entails selecting service representatives throughout PRTC's service area and observing them work over a one-hour period, noting in one-minute increments the various functions performed. Functions identified include both strictly regulated and nonregulated operations such as handling a customer inquiry concerning toll charges, taking regulated or nonregulated service orders, or performing sales activities relative to CPE. Common time such as customer record look-up and coffee breaks is also identified in the study and distributed in proportion to directly identified time. The survey observations are performed by local business office supervisors. The samples are selected so that survey results are accurate for use in any PRTC business office operation. Every six months, new ratios of regulated/nonregulated Business Office Service Representative work time will be developed for application against total Business Office costs in the coming six months.

Exhibit 6 summarizes the time reporting methods used by each employee group category.

Time Reporting Reinforcement and Controls

The Puerto Rico Telephone Company (PRTC) reinforces correct time reporting practices by employees through a process of ongoing review and distribution of educational materials to the business segments that are primarily responsible for time reporting. The specific activities that are involved in this process include the following:

1. Written accounting instructions are maintained which describe time reporting procedures in detail.
2. Plant workers are required to report their time by field codes representing work activities, rather than by account codes;
3. Time reporting is processed on a mechanized basis, where appropriate;

4. Supervisors are required to review and approve employee time sheets;
5. Variance analyses are conducted each month, comparing actual costs to budgeted costs;
6. Periodically, accounting department employees will conduct time reporting training for operating department employees;
7. Internal and/or external auditors conduct audit reviews of compliance with time reporting procedures at least annually.

PRTC maintains detailed instructions for preparing time reports, including departmental control responsibilities. A chart of executive approvals has also been developed which indicates the organizational level of review and approval required for payroll transactions.

The written time reporting instructions maintained by PRTC include:

1. Plant Operations Time Reporting Manual;
2. Engineering Operations Time Reporting Manual;
3. P-FI-001 "Time Reporting Procedure for Customer Services - Business & Residential Representatives (Re: FCC Docket 86-111)";
4. P-FI-002 "Customer Services Account 6623 Expense Apportionment (Re: FCC 86-111)";
5. P-FI-003 "Time Reporting Study Methods and Procedures for the Marketing Area";

As explained in the written time reporting instructions provided to business segment management, supervisors are required to review and approve the time reported by employees.

Similar requirements have been established for time reporting within sales and marketing departments.

Time Reporting employees are provided training by their supervisors and by employees of accounting departments, upon requests from operating areas and when deemed necessary by the accounting area. Since most plant operations employees have been using positive time reporting for many years, they generally require a minimal amount of training.

Internal and/or external auditors conduct audit reviews of time reporting, at least annually. To the extent these audits produce any findings, they are shared with the business segment involved, so that appropriate corrective action can be taken.

EXHIBIT 6

TIME REPORTING PROCEDURES BY EMPLOYEE CLASSIFICATION

OPERATIONS	POSITIVE	SURVEY	EXCEPTION
Operations			
Central Office	X		
Installer & Repair	X		
Assignment & Repair	X		
Line Cable Maintenance	X		
Splicers	X		
Plant Technicians	X		
Inspectors	X		
Land & Buildings	X		
Supervisors	X ^a		
Engineering			
Engineers	X		
Engineering Technicians	X		
Engineering Trainee	X		
Analyst	X		
Working Technicians	X		
Supervisors	X ^a		
Sales & Marketing			
Account Executives		X	
Consultants		X	
Assistants Business Sales Support		X	
Commercial Operations			
Service Order Processing		X	
Billing Inquiry		X	
Payment & Collection		X	
Corporate Operations			
General and Administrative			X

^a Supervisors do not report direct hours. Their hours are distributed based on the results reported by the groups they supervise.